

Approved For Release 2009/09/21 : CIA-RDP87M00539R002403970001-3

**Page Denied**

STAT

Approved For Release 2009/09/21 : CIA-RDP87M00539R002403970001-3

**EXECUTIVE SECRETARIAT**  
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X w/o/att)		
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OLL				
14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	NIO/ECON		X(w/att)		
18	DER				
19					
20					
21					
22					
SUSPENSE		Date			

Remarks

STAT

Executive Secretary  
9 Dec 85

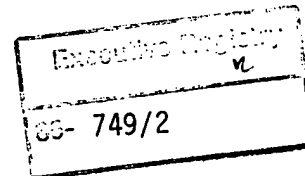
Date

3637 (10-81)



**THE SECRETARY OF COMMERCE**  
Washington, D.C. 20230

December 5, 1985



**MEMORANDUM FOR:** William Casey

**FROM:** Malcolm Baldrige *Mac*

**SUBJECT:** Economic Roundup

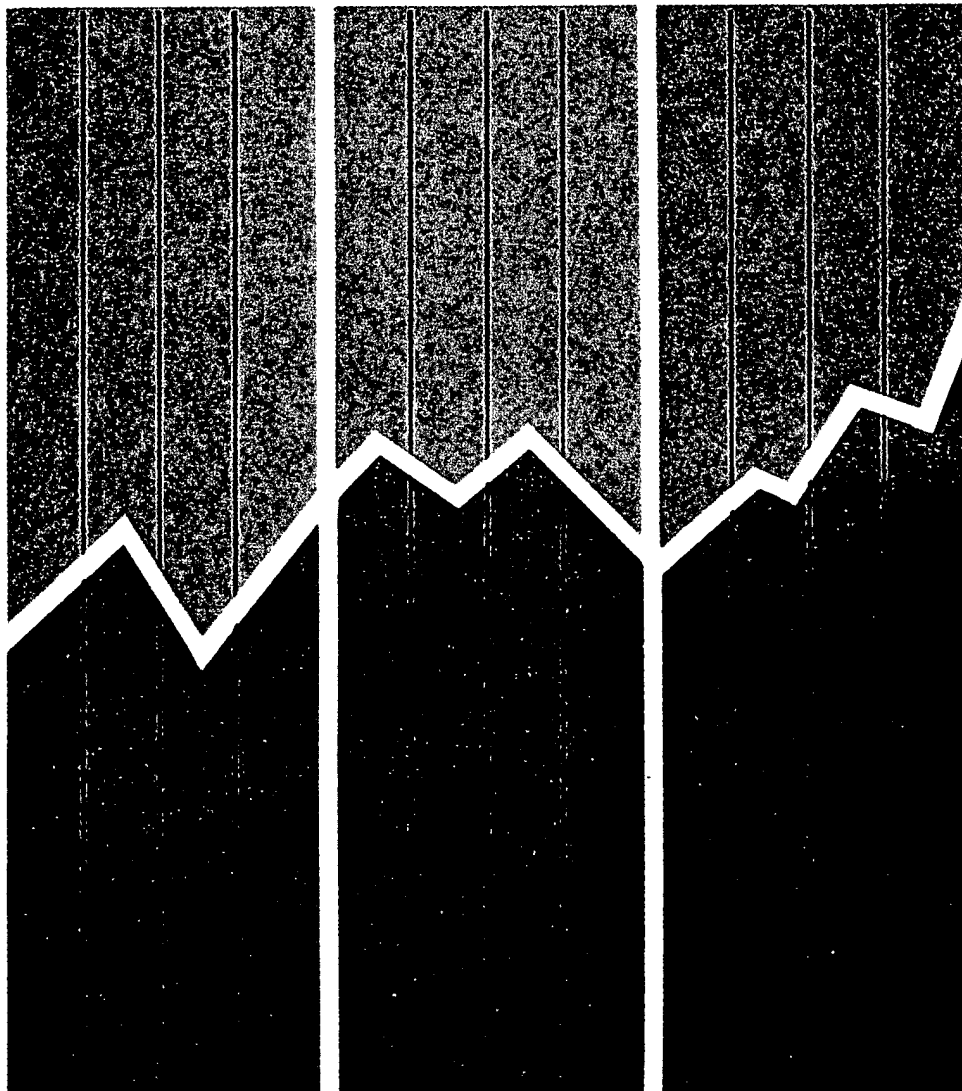
Enclosed is the November issue of our Monthly  
Economic Roundup.

**Enclosure**



*L-309*

# The Economic Roundup



A MONTHLY REVIEW OF  
ECONOMIC DEVELOPMENTS



Office of Economic Affairs  
U.S. Department of Commerce

November 1985

FOR OFFICIAL USE ONLY

# EXECUTIVE SECRETARIAT

## ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X (w/o att)		
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OLL				
14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	NIO/ECON		X (w/att)		
18					
19					
20					
21					
22					

SUSPENSE \_\_\_\_\_ Date \_\_\_\_\_

Remarks

STAT

Executive Secretary

6 Nov 85

Date

3637 (10-81)



**THE SECRETARY OF COMMERCE**  
Washington, D.C. 20230

November 5, 1985

Executive Registry

85- 749/1

**MEMORANDUM FOR:** William Casey

**FROM:** Malcolm Baldrige *Mac*

**SUBJECT:** Economic Roundup

Enclosed is the October issue of our Monthly  
Economic Roundup.

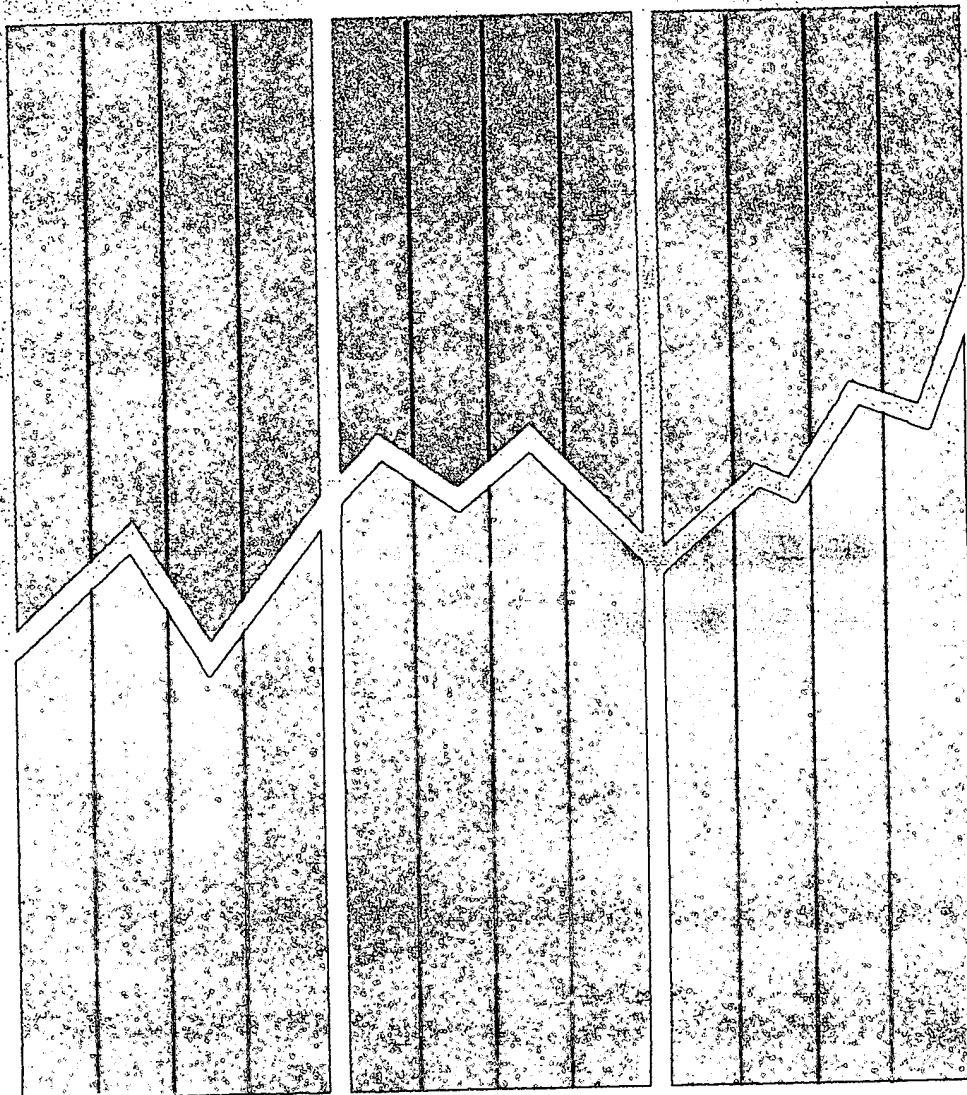
**Enclosure**



*L-309*

FOR OFFICIAL USE ONLY

# The Economic Roundup



A MONTHLY REVIEW OF  
ECONOMIC DEVELOPMENTS



Office of Economic Affairs  
U.S. Department of Commerce

FOR OFFICIAL USE

FOR OFFICIAL USE ONLY

October 1985



**THE SECRETARY OF COMMERCE**  
Washington, D.C. 20230

March 1, 1985

Executive Registry	
85-	749

MEMORANDUM FOR: Bill Casey *11 MAR 1985*

FROM: Mac Baldrige *Mac*

SUBJECT: Economic Roundup

Enclosed is the February issue of our Monthly Economic Roundup.

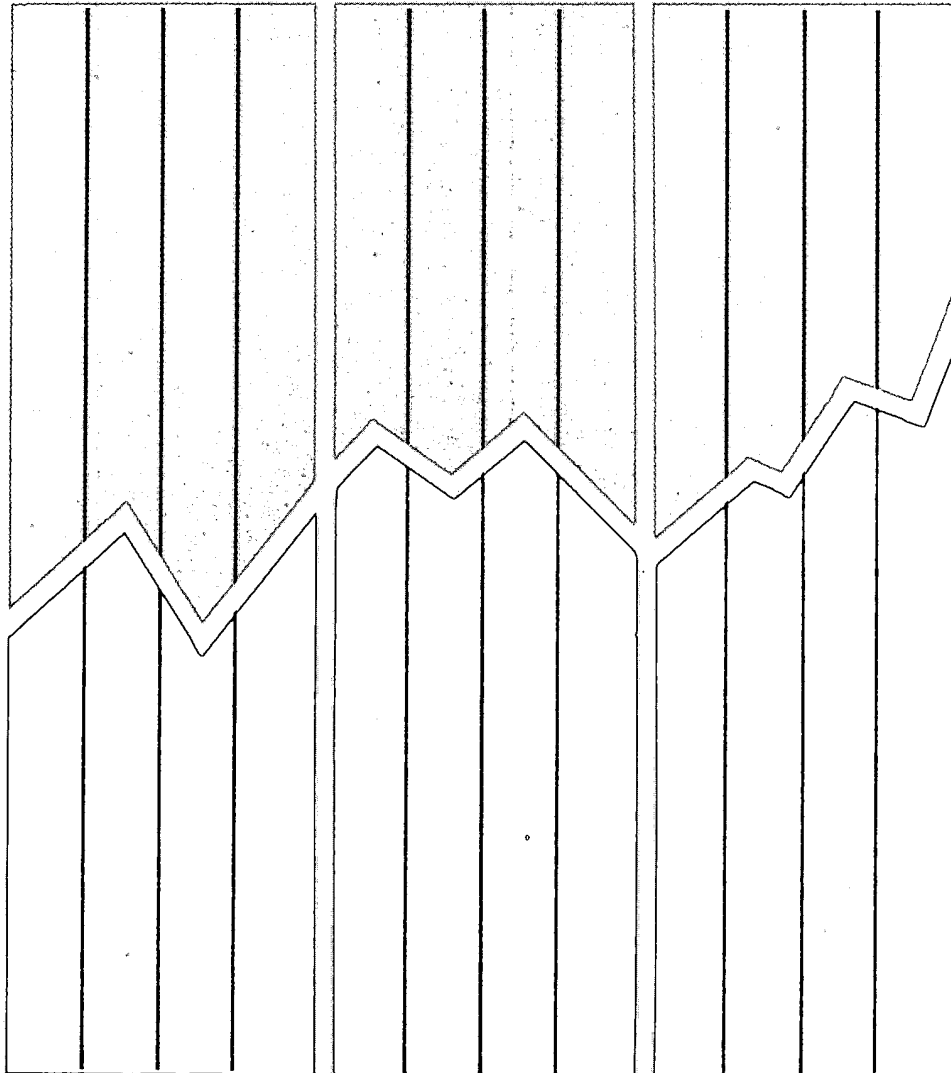
Enclosure

*L 309*



FOR OFFICIAL USE ONLY

# The Economic Roundup



A MONTHLY REVIEW OF  
ECONOMIC DEVELOPMENTS



Office of Economic Affairs  
U.S. Department of Commerce

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

**THE ECONOMIC ROUNDUP**

**A Monthly Review of Economic Developments**

**Prepared by**

**The Office of the Chief Economist**

**U.S. Department of Commerce**

**Malcolm Baldrige**  
**Secretary of Commerce**

**Sidney L. Jones**  
**Under Secretary for Economic Affairs**

**Robert Ortner**  
**Chief Economist**

FOR OFFICIAL USE ONLY

**February 1985**

## Contents

	<u>Page</u>
SUMMARY.....	1
AUTO INDUSTRY RIDES HIGH.....	1
HOMEBUILDING LUMBERS ON.....	2
CONSUMERS PICK UP THE PACE.....	3
BUSINESS INVENTORIES SETTLE DOWN.....	4
CAPITAL SPENDING MODERATES.....	5
NET EXPORTS OF GOODS AND SERVICES.....	6
MONEY AND CREDIT CONDITIONS.....	7
INFLATIONARY PRESSURES REMAIN MODEST.....	8
TABLE OF ECONOMIC INDICATORS.....	10

**FOR OFFICIAL USE ONLY****SUMMARY**

Real GNP grew at a 4.9-percent annual rate in the fourth quarter, while inflation remained moderate. Prospects for first-quarter real GNP growth look promising, a good start toward achieving the Administration's forecast of 4-percent growth during the year.

- o Early 1985 sales and assemblies of domestic new cars are running well above fourth-quarter levels.
- o After weakening in the second half in response to the summer run-up in mortgage rates, housing activity showed some improvement entering the new year.
- o Growth in consumer spending in the first quarter probably will exceed the moderate fourth-quarter advance.
- o While inventory investment is difficult to predict, the weakening that began last autumn appears to be over.
- o The growth in business fixed investment may slow and the share supplied by foreign producers will continue to increase.
- o The fourth-quarter improvement in the net export deficit probably was a short-lived interruption in a basically deteriorating trend. The dollar soared in February.
- o The Fed appears willing to accommodate economic growth at about a 4-percent rate if inflation remains moderate.
- o Inflationary pressures remain notably soft, reflecting ample unused resources, weak oil and raw materials prices, and the surging dollar.

**AUTO INDUSTRY RIDES HIGH**

Domestic new car sales and assemblies are running well above their fourth-quarter levels.

- o Domestic automakers are producing virtually all the cars they can, one reason for the early 1985 price hikes. At a seasonally adjusted annual rate, planned assemblies bulge to 9.5 million units in the first quarter then fall back to 7.4 million units in the second quarter. On average, the planned assembly rate of 8.4 million units for the first half is well above the 1984 total of 8 million units.
- o So far in the first quarter, sales of domestic new cars averaged 8.6 million units at a seasonally adjusted annual rate--compared with the strike-inhibited 7.4-million-unit pace of the fourth quarter.

**FOR OFFICIAL USE ONLY**

# HOMEBUILDING LUMBERS ON

## Single-family housing

After 1983's surge, single-family housing activity gained modestly in 1984 to levels roughly midway between the 1981-82 lows and the peaks during 1977-78.

### Million units

	<u>1978</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Existing one-family home sales	3.99	1.99	2.72	2.87
New one-family home sales	.82	.42	.63	.64
Single-family housing starts	1.43	.66	1.07	1.08

In January, builders started work on 1.04 million single-family units at an annual rate--about the same as the fourth quarter pace, but 5 percent above the relatively low summer average rate.

- o Net deposit inflows to savings institutions picked up during the closing months of 1984, after softening during the summer.
- o Commitment rates on fixed-rate mortgages fell from 14.7 percent in late July to near 13 percent by year end. In February, mortgage rates levelled off at a shade under 13 percent.
- o During the past two years, house prices have risen, on balance, only about as fast as overall inflation. During the second half of the 1970's, in contrast, house prices rose 6 percent per year faster than inflation, on average. Delinquent payments on mortgage debt have remained high in this expansion, perhaps because of unfulfilled expectations regarding home price appreciation.

## Multi-family housing

Real multi-family housing construction stopped growing in the fourth quarter, reflecting the declines in multi-starts that characterized much of 1984. Rebounding permits in late 1984 and January's surge in starts point to renewed growth in construction put in place later this year.

- o Permits for multi-family housing units began rebounding last autumn and by January had risen nearly 10 percent above the third quarter level.
- o Starts of multi-family units, which had dropped in six of the last eight months of 1984, surged in January to a 792-thousand-unit annual rate--44 percent higher than the fourth-quarter average. Even if multi-unit starts slip in coming months, the high level of starts will support renewed growth in construction put in place later this year.

FOR OFFICIAL USE ONLY

**FOR OFFICIAL USE ONLY**

3

CONSUMERS PICK UP THE PACE

After a third quarter pause--up at a slight 0.6-percent annual rate, real consumer spending advanced at a moderate 3.6-percent rate in the fourth quarter. If spending in February and March remains at its estimated January level, first-quarter real consumer spending will grow roughly 4 percent at an annual rate. An even stronger pickup is likely.

- o Motor vehicle purchases and spending for home heating lifted estimated real consumer spending in January moderately above the fourth quarter average. New car sales stayed quite strong in February, but milder weather late in the month may slow expenditures for home heating.
- o Spending on nonauto goods edged down in January in nominal terms and, after adjustment for inflation, probably was only modestly above the fourth quarter average. Retailers offered traditional post-holiday discounts before the holidays and, thus, may have contributed to less shopping during a colder and stormier than usual January. If so, February and March nonauto goods purchases could rebound--imparting some zip to overall consumer spending growth for the first quarter.

Determinants of consumer spending, on balance, point to moderate growth during the course of the year. Employment gains continue to lift income, confidence remains high, and financing conditions for households have improved since last summer.

- o Employment, as measured by the survey of nonfarm establishments, rose a hefty 348,000 in January--somewhat faster than the 303,000 average monthly gain during 1984. Even so, private wage and salary income edged up only 0.1 percent, after average monthly increases of 0.7 percent during 1984. Average hourly earnings posted an unusual, probably temporary, decline in January.
- o Both the University of Michigan and Conference Board measures of consumer confidence opened the year with high readings.
- o The decline in market interest rates from their late-summer highs began to show up in modest reductions in consumer finance rates toward year-end. Consumer installment debt surged 20.4 percent during 1984, and further, though probably more moderate, increases in borrowing are likely this year.

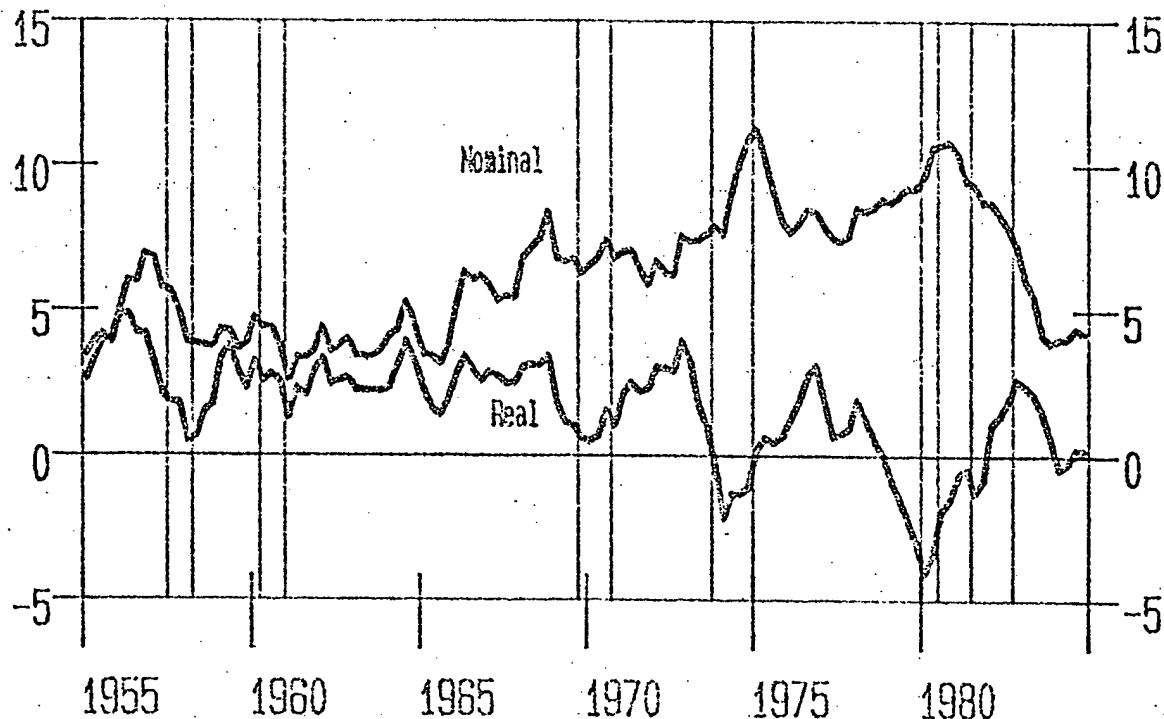
The unemployment rate inched up to 7.3 percent in January, its highest level since last August. This continuing slack in labor markets has dampened increases in hourly compensation--one source of income growth. As the chart below shows, nominal hourly compensation of late has increased at the slowest pace since the early 1960's. Adjusted for inflation, hourly compensation has changed little.

**FOR OFFICIAL USE ONLY**

FOR OFFICIAL USE ONLY

4

# HOURLY COMPENSATION, NONFARM BUSINESS PERCENT CHANGE FROM 4 QTRS. AGO



- o The average workweek eased a bit during the second half of 1984 after its early-expansion rebound. With negligible growth in real compensation per hour, gains in wage and salary income and to an important degree consumer spending, reflect increases in employment.

## BUSINESS INVENTORIES SETTLE DOWN

Inventory accumulation slowed markedly in the fourth quarter, following substantial increases during the previous three quarters. For the near term, no dramatic changes in inventory investment appear likely.

Change in Nonfarm Business Inventories  
Billions of 1972 dollars, SAAR  
1983 1984

	3Q	4Q	1Q	2Q	3Q	4Q
Nonfarm business	7.4	7.0	26.2	18.7	26.5	12.0
Auto dealers	1.4	3.5	3.8	-3.0	0.4	5.6
Other retailers	1.3	1.9	7.6	4.7	2.1	2.0
Wholesalers	3.1	3.4	4.8	5.3	9.5	3.9
Manufacturers	-1.1	0.1	9.1	13.8	13.0	0.3

FOR OFFICIAL USE ONLY

**FOR OFFICIAL USE ONLY**

5

- o Auto dealers' inventories increased substantially in the fourth quarter as deliveries from factories picked up in the wake of strikes. Assembly plans suggest an even larger increase in dealer stocks this quarter before a decline in the second quarter.
- o Inventories of other retailers rose moderately for a second quarter in a row. Since holiday sales generally failed to meet expectations and prompted vigorous promotions, nonautomotive retailers may try to limit growth in stocks during the first half.
- o Both wholesalers and manufacturers appreciably slowed their inventory building in late 1984, following a mid-year bulge. Wholesalers apparently cut back substantially on incoming goods from abroad, contributing to the year-end drop in imports.
- o Manufacturers appear content to let stocks rise only modestly for now. Purchasing agents of industrial companies report that inventory declines were more prevalent than increases, on average, in the first two months of the year. Delivery lead times have shrunk steadily from a year ago, and spot prices for raw industrial materials remain soft.

CAPITAL SPENDING MODERATESProducers' Durable Equipment

Real spending on producers' durable equipment rose only 1.9 percent at an annual rate in the fourth quarter, after surging at a 21-percent annual rate during the previous seven quarters. Though growth in investment spending may accelerate again, prospects for domestic producers of capital equipment remain less than glowing. Imports are taking a large share of domestic purchases while exports show only a modest uptrend.

- o Adjusted for inflation, new orders for nondefense capital goods in real terms dropped 3.3 percent in the third quarter and a further 3.7 percent in the fourth quarter, after surging 20 percent during the previous year. Measured in current prices, the 11.5-percent plunge in January left these orders 10.8 percent below the fourth quarter average.
- o Gains in both machinery industry employment and industrial production of business equipment slackened during the second half of last year. Employment in machinery industries rose only 2.3 percent at an annual rate from July 1984 to January 1985, after a 10.6-percent jump during the prior twelve months.
- o Shipments tend to follow new orders with a lag of two or three quarters. Shipments of nondefense capital goods gained moderately in the fourth quarter, then slipped 5.4 percent below the fourth quarter average by January.

**FOR OFFICIAL USE ONLY**



**FOR OFFICIAL USE ONLY**

6

Nonresidential structures

Spending on nonresidential structures picked up in the fourth quarter after a summer pause. Good gains should continue.

- o Real investment in nonresidential structures rose 18 percent at an annual rate in the fourth quarter, after a third-quarter pause and a 24-percent rate of increase in the three preceding quarters. Office and other commercial buildings generally accounted for both the summer softening and the fourth quarter rebound.
- o Contracts awarded for commercial and industrial buildings amounted to 246 million square feet in the fourth quarter--16 percent higher than the year earlier level. While growth in building contracts slowed from 1983's 37-percent gain, long lead times suggest continued vigorous growth in nonresidential construction put in place.

NET EXPORTS OF GOODS AND SERVICES

After a massive deterioration in the third quarter, real net exports improved markedly in the fourth quarter. The deficit, however, is likely to worsen this year.

Net Exports of Goods and Services  
Billions of 1972 dollars, SAAR

	1983		1984			
	3Q	4Q	1Q	2Q	3Q	4Q
Net exports	11.9	1.9	-8.3	-11.4	-27.0	-10.2
Merchandise	-13.2	-20.2	-31.5	-30.0	-44.8	-27.6
Food, materials, supplies, & miscell.	3.5	2.0	0.0	1.1	-2.8	3.2
Nonauto capital goods	4.6	3.0	-2.0	-1.3	-8.1	-1.9
Autos & consumer goods	-20.7	-25.1	-29.6	-29.4	-33.8	-29.0
Services	25.0	22.2	23.2	18.5	17.9	17.5

- o With exports growing moderately, most of the recent quarterly movements in net exports reflect changes in imports. Merchandise imports surged in the summer but fell back in the fourth quarter. In part, these movements probably are linked to the summer inventory bulge and subsequent stock adjustments late in the year.

**FOR OFFICIAL USE ONLY**

**FOR OFFICIAL USE ONLY**

7

- o The net export deficit should worsen this year. The dollar surged to new highs in foreign-exchange markets in late February, putting additional pressure on both imports and exports.
- o Balance of payments data for 1984 will be released in March. During the first three quarters of 1984, the current account deficit averaged \$103 billion at an annual rate, compared with a \$6.3 billion surplus as recently as 1981. Further deterioration is likely this year.
- o The Census Bureau reported a merchandise trade deficit of \$10.3 billion in January, the same as the average monthly deficit during 1984, but larger than the fourth quarter's average monthly shortfall of \$9.3 billion.

#### MONEY AND CREDIT CONDITIONS

The slide in interest rates from their late-summer highs ended in January and short-term rates backed up about 1/2 percentage point during February. The Fed's 1985 target range for money stock should support moderate growth in real GNP. Both the Federal Government and private borrowers increased their indebtedness dramatically in 1984. The Fed's monitoring range for debt growth in 1985 suggests somewhat less rapid growth in private debt, given prospective Federal borrowing.

- o According to Federal Open Market Committee meeting minutes, the Fed began easing credit conditions last summer in response to slowing economic growth, no growth in money stock, favorable inflation news, and the strengthening dollar. Short-term rates dropped 2-1/2 to 3-1/2 percentage points by January. According to recent statements by Mr. Volcker, the Fed stopped easing as rapid growth in the monetary aggregates resumed and a pickup in economic growth after the summer pause became evident early this year. Market interest rates rose about 1/2 percentage point or so in recent weeks, with short-term rates now around 8-1/2 percent and long-term rates in the 11-3/4 to 13 percent range.
- o In recent Congressional testimony, Mr. Volcker outlined the Fed's target ranges for growth in measures of money stock during 1985. The Fed also projected real GNP growth of 3-1/2 to 4 percent during the four quarters of 1985, with inflation in the range of 3-1/2 to 4 percent.

**FOR OFFICIAL USE ONLY**

**FOR OFFICIAL USE ONLY**

8

**Growth in Monetary Aggregates and 1985 Targets  
Fourth Quarter to Fourth Quarter Percent Change**

	<u>Average</u>	<u>1983</u>	<u>1984</u>	<u>Target Range</u>
	<u>1979-82</u>			<u>1985</u>
M1	7.2	10.4	5.2	4 to 7
M2	8.9	12.2	7.7	6 to 9
M3	10.6	10.0	10.5	6 to 9-1/2
Domestic nonfinancial sector debt	10.2	10.8	13.4	9 to 12

- o Domestic nonfinancial sectors raised a net \$715 billion in the credit markets during 1984, a record 19.5 percent of GNP. Net borrowing moderately exceeded the upper limit of the Fed's monitoring range for debt growth in 1984. Private net borrowing amounted to 14.1 percent of GNP--similar to the highs reached in 1973 and in the late 1970's. Household and net corporate borrowing climbed sharply in 1984, to 6.6 and 4.5 percent of GNP, respectively. Federal government borrowing remained at 5.4 percent of GNP.
- o If debt increases 12 percent during 1985--the upper limit of the Fed's monitoring range, net funds raised in credit markets during 1985 would roughly match 1984's amount. Large net borrowing by the Federal government implies private sector borrowing equivalent to 13.6 percent of GNP, somewhat less than in 1984.

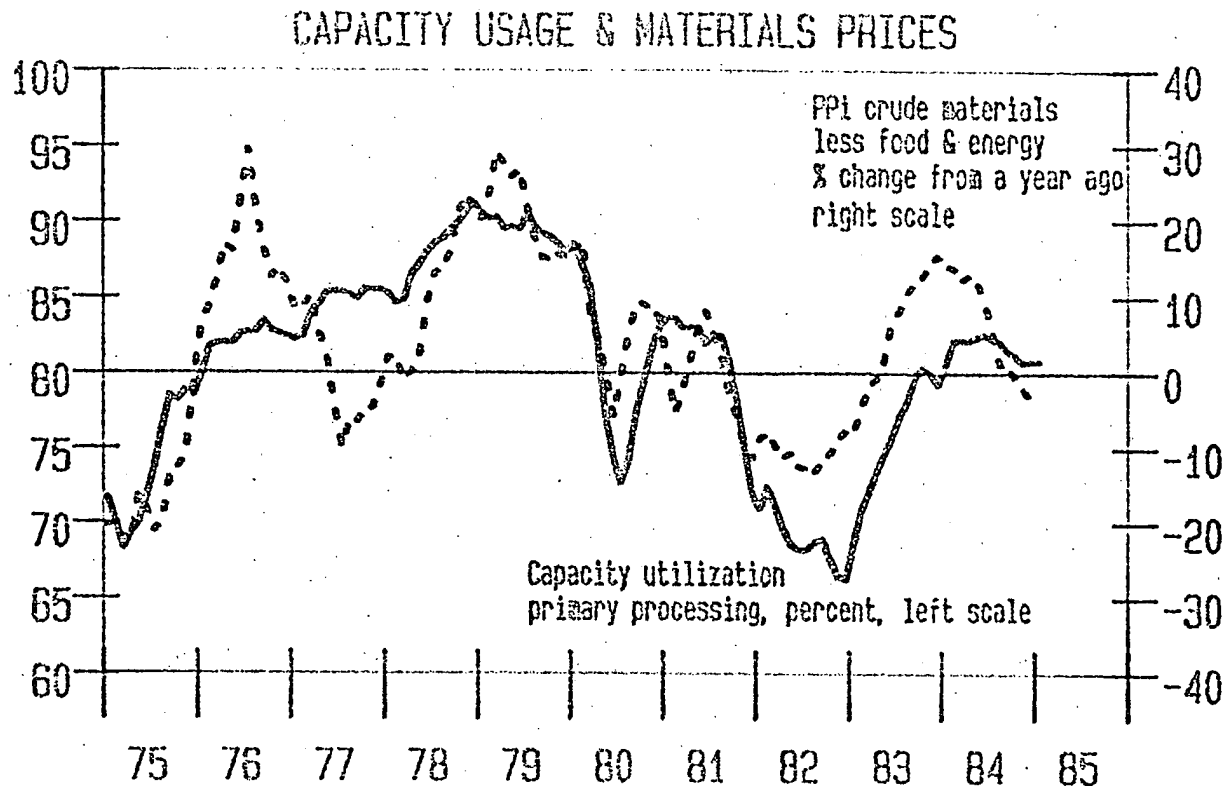
**INFLATIONARY PRESSURES REMAIN MODEST**

The pickup in inflation projected by many private forecasters a year ago did not materialize. Potential sources of pressure indicate another year of moderate price increases ahead.

- o The average cost to a refiner of a barrel of crude oil dropped nearly 23 percent from its peak in early 1981 to the fourth quarter of last year. Cold weather early this year may have slowed this slide. But with non-OPEC producers able to satisfy mildly growing demand and OPEC producers sharing reduced production, the market remains soft. Lower oil prices not only show up directly in lower energy prices, but also reduce the general cost of doing business.
- o While overall industrial capacity usage in January, at 82 percent, was close to its 1967-82 average, the recovery so far has been relatively strong in advanced processing industries and weak in primary processing industries. As a result, price increases for raw industrial materials have eased after their initial rebound.

**FOR OFFICIAL USE ONLY**

FOR OFFICIAL USE ONLY



- o The dollar climbed 9.7 percent during 1984 and, after its recent surge stood 6 percent above last December's average on February 27. The timing and size of a reversal cannot be predicted, but a decline in the value of the dollar is a potential source of some upward pressure on prices.
- o Hourly compensation in nonfarm businesses rose a modest 4.3 percent during 1984, while productivity advanced 2.5 percent. As a result, unit labor cost—a major part of production cost—increased a slight 1.7 percent, after no gain during 1983. Modest growth in wage rates and rising productivity should continue to limit unit labor cost increases.

FOR OFFICIAL USE ONLY

ECONOMIC INDICATORS

	<u>Jan</u>	<u>Dec</u>	<u>Nov</u>	<u>Oct</u>	<u>Sept</u>	<u>Aug</u>
<u>General Indicators</u> (% change)						
Composite Index of Leading Indicators	1.7	-0.5	0.5	-1.0	0.7	0.2
Composite Index of Coincident Indicators	0.2	0.7	0.7	0.1	0.2	0.0
Composite Index of Lagging Indicators	1.1	0.1	-0.2	1.0	1.0	0.8
NAPM Composite Diffusion Index (%)	52.5	50.9	51.4	51.2	50.6	52.1
<u>Employment</u>						
Total Employment (change in 000's)	117	340	277	240	254	-215
Payroll Employment (change in 000's)	348	167	337	350	284	173
Unemployment (change in 000's)	293	49	-225	-3	-111	-10
Unemployment Rate (%)	7.3	7.1	7.0	7.2	7.2	7.4
Initial Claims for Unemployment Insurance (000's)	378	386	397	405	368	358
Factory Workweek (hours)	40.6	40.7	40.5	40.4	40.6	40.5
<u>Production and Orders</u>						
Industrial Production (% change)	0.4	0.5	0.4	-0.4	-0.6	0.1
Capacity Utilization, Industrial (%)	81.9	81.7	81.5	81.4	81.9	82.5
Auto Production (mil. of units, AR)	10.1	8.6	8.5	7.0	7.1	8.1
Total New Orders (% change)		-0.7	4.5	-2.1	-1.4	-0.8
Nondurable Goods (% change)		1.9	0.4	-1.5	0.6	-1.9
Durable Goods (% change)	3.8	-1.9	8.3	-2.6	-3.3	0.3
Nondefense Capital Goods (% change)	-11.5	-2.1	6.9	-8.8	5.0	-4.2
<u>Inventories</u>						
Manufacturing and Trade Inventories (% change)		0.3	0.2	0.6	0.7	0.9
Inventory/Sales Ratio		1.36	1.36	1.37	1.37	1.35
Real Retail Inventory/Sales Ratio, Domestic New Cars	2.34	2.17	2.46	2.31	1.95	2.10
<u>Prices and Wages</u>						
Consumer Price Index (% change)	0.2	0.3	0.2	0.3	0.4	0.4
Food (% change)	0.2	0.4	0.2	0.3	0.1	0.5
Energy (% change)	-0.8	-0.2	0.1	-0.2	0.6	0.1
All Other Items (% change)	0.4	0.3	0.2	0.3	0.4	0.5
<u>Producer Prices</u>						
Finished Goods (% change)	0.0	0.2	0.3	0.0	0.0	-0.2
Intermediate Goods (% change)	-0.1	-0.1	0.2	0.1	-0.1	-0.2
Crude Goods (% change)	-2.2	-0.1	1.4	-0.8	0.1	-1.2
Hourly Earnings Index (% change)	-0.2	0.6	0.4	-0.2	0.6	-0.1
Hourly Earnings Index (12-month % change)	2.7	3.4	3.0	2.7	3.5	3.4

ECONOMIC INDICATORS (cont'd)

	<u>Jan</u>	<u>Dec</u>	<u>Nov</u>	<u>Oct</u>	<u>Sept</u>	<u>Aug</u>
<u>Consumer Spending and Income</u>						
Personal Income (% change)	0.5	0.4	0.6	0.4	0.7	0.6
Wages and Salaries (% change)	0.3	0.9	0.9	0.1	0.7	0.2
Disposable Personal Income (% change)	0.6	0.3	0.5	0.4	0.7	0.6
Real Disposable Personal Income (% change)		0.4	0.4	0.2	0.5	0.0
Saving Rate (%)	5.8	5.8	6.3	6.6	6.1	6.7
Personal Consumption Expenditures (% change)	0.6	0.8	0.9	-0.3	1.4	0.0
Real Personal Consumption Expenditures (% change)		0.9	0.8	-0.5	1.2	-0.6
Retail Sales (% change)	0.7	-0.5	1.5	0.5	1.5	-0.8
Domestic New Car Sales (mil. of units, AR)	8.4	8.3	7.1	6.9	7.9	7.7
Consumer Installment Credit (change, \$ billions)		6.9	8.0	6.3	4.3	6.0
Consumer Confidence Index (Conf. Board)	95.3	85.9	96.8	91.5	91.0	91.9
Consumer Buying Plans (Conf. Board)	101.2	96.2	102.7	98.5	93.3	100.6
Consumer Sentiment (U. of Mich.)	96.0	92.9	95.7	96.3	100.9	99.1
<u>Construction</u>						
Real Construction Expenditures (% change)	1.5	0.1	-0.6	0.2	-0.2	0.9
Private Residential (% change)	1.0	-1.5	-1.8	-0.9	-1.7	0.7
Private Non-residential (% change)	2.2	1.9	0.9	2.1	0.9	1.2
Public (% change)	0.8	-0.3	-1.4	-1.6	1.1	0.8
New Home Sales (% change)		3.1	-9.8	-1.5	17.8	-8.6
Housing Starts (000's of units, AR)	1833	1595	1600	1564	1669	1590
Housing Starts (% change)	14.9	-0.3	2.3	-6.3	5.0	-8.1
Housing Permits (% change)	3.4	-0.3	12.2	-3.0	-1.8	-5.2
Mortgage Interest Rates, FHLMC (%)	13.08	13.18	13.64	14.13	14.35	14.47
<u>Money and Credit Conditions</u>						
M1 (% change)	0.8	0.9	1.0	-0.6	0.5	0.4
M2 (% change)	1.2	1.1	1.2	0.5	0.7	0.6
Commercial and Industrial Short-Term Credit (% change)	1.1	0	1.1	1.9	1.1	0.3
Federal Funds Rate (%)	8.35	8.38	9.43	9.99	11.30	11.64
3-month Treasury Bills, Auction Rate (%)	7.76	8.16	8.79	9.97	10.41	10.49
Bank Prime Rate (%)	10.61	11.06	11.77	12.58	12.97	13.00
Treasury Bond Yields (%)	11.15	11.21	11.25	11.66	11.97	12.23
Corporate Bond Yields, Moody's Baa (%)	13.26	13.40	13.48	13.94	14.35	14.63

ECONOMIC INDICATORS (cont'd)

	<u>Jan</u>	<u>Dec</u>	<u>Nov</u>	<u>Oct</u>	<u>Sept</u>	<u>Aug</u>
<u>Merchandise Trade (Census)</u>						
Exports (\$ bil.)	19.4	19.1	18.4	18.4	18.2	18.1
Imports, c.i.f. (\$ bil.)	29.7	27.2	28.6	28.1	29.8	28.2
Trade Balance, c.i.f. (\$ bil.)	-10.3	-8.0	-10.2	-9.7	-11.5	-10.1
	<u>1984</u>				<u>1983</u>	
	<u>IV</u>	<u>III</u>	<u>II</u>	<u>I</u>	<u>IV</u>	<u>III</u>
<u>Current Account Balance (\$ bil.)</u>						
Trade (\$ bil.)	-22.9	-32.9	-24.7	-19.7	-17.2	-11.8
Services (\$ bil.)		-33.1	-25.8	-25.8	-19.4	-17.5
Direct Investment Income (\$ bil.)		3.1	3.3	8.3	5.3	7.8
Portfolio Income (\$ bil.)		2.4	1.9	5.9	2.9	4.7
Other Services (\$ bil.)		1.3	1.6	1.8	2.2	2.5
Unilateral Transfers (\$ bil.)		-0.6	-0.2	0.6	0.2	0.6
		-2.8	-2.2	-2.1	-3.1	-2.1
<u>National Accounts (annual rate)</u>						
Nominal GNP (% change)	7.8	5.6	10.7	14.9	10.6	10.1
Real GNP (% change)	4.9	1.6	7.1	10.1	5.9	6.8
Real Consumption (% change)	3.6	0.7	7.9	4.6	6.8	3.8
Real Disposable Income (% change)	3.9	3.9	6.3	8.6	8.2	7.7
Real Nonresidential Fixed Investment (% change)	6.3	13.7	21.3	20.6	30.6	18.7
Real Residential Fixed Investment (% change)	-5.3	-4.6	1.2	21.3	4.0	31.6
Housing Starts (000's of units,)	1586	1663	1895	1968	1699	1791
Change in Business Inventories (\$72 bil.)	16.8	30.6	20.3	31.6	7.2	0.9
Net Exports (\$72 bil.)	-10.2	-27.0	-11.4	-8.3	2.0	11.9
Real Government Purchases (% change)	6.3	5.4	18.6	1.0	-4.3	-0.5
Fixed-weighted Price Index (% change)	3.4	4.0	4.3	5.0	3.9	4.7
<u>Corporate Profits (% change)</u>						
Before-tax (current production)	-2.9	4.9	6.7	6.1	13.1	20.0
After-tax (current production)	2.4	5.7	5.2	9.6	12.9	18.2
Before-tax (book)	-8.6	1.1	7.9	-0.8	14.7	19.8
After-tax (book)	-5.7	-0.3	6.7	-1.1	15.6	17.6

Note: All data except interest rates and Consumer Sentiment are adjusted for seasonal variation.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY